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THE HOG SITUATION

Summary

Slaughter supplies of hogs probably will increase seasonally during the fall months as spring pigs begin to be marketed in fairly large numbers. The seasonal increase in supplies from October through December, however, may be less than usual since it now seems fairly certain that the 1937 corn crop will be much larger than that of last year, and probably larger than average. The larger supplies of feed and higher hog-corn price ratio probably will cause producers to feed hogs to heavier weights and thereby delay marketings.

Although the seasonal increase in hog marketings this fall is likely to be less than usual, the storage demand for hog products will not be so strong as that of last fall. It is probable, therefore, that the seasonal decline in hog prices in the fall and early winter will be of about average proportions.

Hog prices advanced further during late July and early August, as slaughter supplies were reduced to a very low level. The top price of hogs at Chicago in the first week of August reached \$13.75, the highest price paid at that market since October 1926. Since early May, prices of butcher hogs have risen nearly \$3 per 100 pounds.

With production of corn and other feed grains about average this year, the supply of feed grains per head of livestock on farms will be larger than for several years. By late fall or early winter it is expected that the hog-corn price ratio will be relatively favorable for hog production. This will doubtless cause the 1938 spring pig crop to be considerably larger than the small spring crop of this year.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND - Hog prices advanced somewhat from late November to early January, but from February to early May there was little change in prices. In the latter period the Chicago weekly average price fluctuated within narrow limits around \$10 per 100 pounds. In the last half of May hog prices advanced sharply as slaughter supplies were materially reduced. Because of the reduction in feed supplies brought about by the drought of 1936 corn prices have been high in relation to hog prices in most of the present marketing year. In March and April the hog-corn price ratio was near the lowest on record for that season of the year. In the first 7 months of the present marketing year, October through April 1936-37, hog slaughter was considerably larger than that of 1935-36, although smaller than average. The increase in storage stocks of hog products from October 1, 1936, to March 1, 1937, was greater than usual, and in the early spring such stocks were much larger than a year earlier and larger than average.

Hog prices reach highest level in 11 years

Prices of hogs advanced further during late July and early August, as supplies were reduced from the low level of May and June. During the first week of August the top price of hogs at Chicago reached \$13.75, the highest price paid at that market since October 1926. For the entire month of July the average price of hogs at Chicago was \$11.57, compared with \$11.04 in June and \$9.76 in July last year. Since early May, prices of butcher hogs have advanced nearly \$3 per 100 pounds.

July hog slaughter smallest since 1896

Inspected hog slaughter in July, totaling 1,643,000 head, was 22 percent smaller than in June and was the smallest slaughter for July since 1896. For the 3 months, May, June and July, inspected slaughter of hogs totaled 5,852,000 head, about 27 percent fewer than in the same months of 1936 and only slightly more than the very small number slaughtered in the corresponding months of 1935. The short supplies of hogs this summer were brought about by the marked decrease in feed crops in 1936 resulting from the drought of last year. Similarly, the small slaughter in the summer of 1935 was an outcome of the severe drought of 1934.

The short supplies and high prices of feed grains earlier this year caused marketings of a large number of fall pigs to be earlier than usual and also resulted in the holding of hogs on pasture for finishing on the new crop of small grains and the new crop of corn. Both of these factors have been reflected in the small slaughter supplies during the past 3 months.

The proportion of packing sows in the total hog marketings were seasonally larger in July than in June. At the seven leading markets, however, the proportion which packing sows represented of total receipts in July was about the same as in the corresponding month last year, whereas in May and June this proportion was larger than a year earlier. Because of the small total slaughter in May and June the actual number of packing sows marketed probably was little different from that of the corresponding month of 1936. Considerably fewer packing sows were marketed in July, however, than a year earlier.

Although the June pig crop report indicated that the number of sows to farrow next fall would be about 3 percent smaller than a year earlier, it is possible that the continued favorable corn crop prospects since June and the lower corn prices in relation to hog prices will result in larger fall farrowings than was indicated by the report on breeding intentions about June 1. The smaller marketings of packing sows in July than a year earlier may indicate a tendency on the part of producers to retain more sows for fall farrow than they intended earlier in the summer.

Hog-corn price ratio increases

With the continued favorable crop prospects, market prices of corn declined steadily since early May, with a sharp decline in the last half of July. The average price of No. 3 Yellow corn at Chicago for the first week of August was \$1.18 cents per bushel, compared with \$1.38 in early May. The hog-corn price ratio, based on Chicago prices, was 11.1 in early August, compared with 7.4 in early May and 8.9 a year earlier. The average ratio between hog prices and corn prices at Chicago over a long period of years is about 11.4.

Wholesale prices of all hog products advanced during the last half of July. Prices of fresh pork at Chicago in late July and early August were the highest since late 1926. Prices of cured pork in late July were higher than at any time thus far in the present marketing year, but they were slightly lower than prices prevailing in the summer of 1935. Although lard prices advanced slightly in late July, they were somewhat lower than prices of last January and early February. The failure of lard prices to advance much in the past 2 months, when supplies of hogs have been short, probably is due chiefly to the large supply of cottonseed oil in prospect from this year's cotton crop.

Stocks of hog products decline sharply in July

The very small slaughter of hogs in July was accompanied by a considerable reduction in stocks of pork and lard during the month. The reduction in pork stocks during July was much greater than usual. Stocks of lard usually increase during July. On August 1 stocks of pork, totaling 469 million pounds, were about 19 percent smaller than on July 1, but they were 6 percent larger than a year earlier. Storage holdings of lard on August 1, amounting to 157 million pounds, were 15 percent smaller than on July 1, but they were about 34 percent greater than the stocks on August 1, last year. Last summer, however, stocks of both pork and lard were much below average.

The increase in stocks of pork and lard during the winter months was considerably greater than usual, and at the beginning of March stocks of pork were more than 70 percent, or about 300 million pounds, larger than a year earlier, while lard stocks were more than twice as large as on March 1, 1936. The increase in storage stocks of hog products on March 1 over a year earlier was equivalent to the products obtainable from about 2,800,000 hogs of average market weight. With the very small hog slaughter in May, June and July, stocks of hog products were reduced sharply in those 3 months. On August 1 the increase in stocks over a year earlier was equivalent to the products obtainable from less than 500,000 hogs of average market weight.

Storage holdings of pork and lard on August 1, average 1930-34,
annual 1935-37 and July 1, 1937

| Item | : Aug. 1 : average : 1930-34 | : Aug. 1, : 1935 | : Aug. 1, : 1936 | : July 1, : 1937 | : Aug. 1, : 1937 : 1/ |
|--|------------------------------------|---------------------|---------------------|---------------------|-----------------------------|
| | : 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| | : pounds | pounds | pounds | pounds | pounds |
| Pork: | | | | | |
| Frozen | 181,307 | 83,119 | 95,941 | 203,595 | 144,910 |
| Dry salt, cured and in process of cure | 126,346 | 61,231 | 93,675 | 31,719 | 75,047 |
| Pickled, cured and in process of cure | 383,986 | 225,560 | 252,345 | 293,110 | 248,941 |
| Total..... | 691,639 | 369,910 | 441,961 | 578,424 | 468,898 |
| Lard | 158,131 | 68,435 | 117,026 | 185,124 | 157,382 |

1/ Preliminary.

Exports of lard increase, but pork exports continue small

Exports of lard have increased somewhat during the past 3 months, but there has been little change in pork exports. In the first 9 months of the present marketing year, October through June 1936-37, exports of lard totaled about 81 million pounds, which was slightly larger than the quantity exported in corresponding period of 1935-36, but much smaller than in other years. During these 9 months Great Britain was the leading importer of United States lard, although exports to that country were slightly smaller than in 1935-36. Exports of lard to Cuba thus far in 1936-37 were somewhat larger than a year earlier. The two countries, Great Britain and Cuba, have taken more than 35 percent of the United States lard exports in the current marketing year.

Exports of pork in the first 9 months of 1936-37 totaled about 45 million pounds, which was slightly smaller than a year earlier and the smallest in many years. Shipments of hams and shoulders to Great Britain represented about half of the total pork exports this year.

Pork imports continue larger than a year earlier

Imports of pork increased during June after having been reduced in April and May. As in the months from December through March 1936-37, pork imports in June exceeded exports. In the first 9 months of the present marketing year pork imports totaled about 51 million pounds, and were the largest for the period on record. Imports of live hogs also have been larger thus far in 1936-37 than in 1935-36. Total imports of both hogs and pork, however, are still very small in relation to domestic production. In the period from October through June 1936-37 the combined imports of pork and live hogs were roughly equivalent to only about 530,000 hogs of average market weight. In this period hog slaughter under Federal inspection totaled 28,877,000 head.

Hog numbers in Germany in early June large

The total number of hogs in Germany in early June was reported to be slightly larger than a year earlier, and the largest for this period of year on record. All of the increase over a year earlier was in slaughter hogs 2 months old and over. The number of pigs less than 2 months old was 5 percent smaller than a year earlier, and the number of bred sows was 15 percent smaller. On the basis of numbers on hand at the beginning of June, it is expected that hog slaughter in Germany during the coming fall months will be larger than that of last fall. With fewer numbers of young pigs and bred sows, the number of hogs in Germany in late 1937 probably will be smaller than a year earlier, and hog slaughter in the first half of 1938 may be smaller than in the corresponding period of this year.

OUTLOOK

BACKGROUND - Prospects for slaughter supplies and prices of hogs in 1937-38 were stated in the July issue of this report as follows:

(1) The number of hogs to be slaughtered in the coming marketing year, which begins October 1, will be somewhat smaller than that of the current marketing year but probably larger than in either of the 2 previous marketing years.

(2) Average weights of hogs slaughtered in the 1937-38 marketing year are likely to be somewhat heavier than in the current year. The expected increase in weights will offset in large part the probable reduction in numbers slaughtered.

(3) With much larger supplies of feed in prospect for 1937-38 than in 1936-37 and with hogs being fed to heavier weights, it is expected that the seasonal distribution of hogs marketing during 1937-38 will be much different from that of the present year. Slaughter during the first 3 months, October through December, will comprise a relatively small proportion of the yearly total and also of the total for the first half of the year.

(4) With prospects for a slightly smaller tonnage of hogs to be marketed in the fall and winter of 1937-38 than a year earlier and for the maintenance of a fairly high level of consumer demand, hog prices in this period probably will average as high as and perhaps higher than in 1936-37.

Slaughter supplies of hogs probably will increase seasonally after September, as spring pigs begin to be marketed in fairly large numbers. There also may be a considerable number of hogs from the 1936 fall pig crop marketed during the October - December period, since finishing of such pigs in some areas was delayed until the new crop of small grains became available this summer. The seasonal increase in hog slaughter from October through December, however, may be somewhat less than usual since it now seems fairly certain that the 1937 corn crop will be at least equal to average and larger than in any year since 1932. The lower corn prices and the higher hog-corn price ratio doubtless will cause producers to feed hogs to heavier weights and thereby delay marketings. Inspected slaughter during this period (October to December) probably will be larger than in corresponding months of 1935, when conditions were somewhat similar, but considerably smaller than in 1936.

The proportion of the slaughter for the winter season which is marketed from January through March is expected to be considerably larger than that marketed from October through December. In most recent years the proportions marketed in these 2 periods have been about the same.

On the basis of probable changes in marketings alone, it would be expected that the seasonal decline in hog prices after August or September would be somewhat less than average, since the increase in supplies during the fall months will be much less than average. Changes in marketings in this period, however, are not always the principal factor resulting in seasonal changes in hog prices. In 1936 when the increase in supplies from September to December was fairly large, the decline in price was small, amounting to less than 50 cents per 100 pounds on butcher hogs. It seems probable that the strong demand for hog products for storage in late 1936 prevented the decline in prices from being greater than it was. The strong ^{storage} demand in that period apparently was caused by the prospects for a marked decrease in supplies and a considerable advance in prices of hog products later in the present marketing year.

In late 1937 the storage demand for hog products is not expected to be so strong as a year earlier, since supplies of hogs in the remainder of the 1937-38 marketing year are expected to increase rather than decrease. It is probable, therefore, that a seasonal decline in prices of about normal proportions will occur during the coming fall and early winter. The decline in prices, however, may continue later than usual and may occur mostly after November, whereas it is usually completed by mid-December. A considerable increase in hog marketings may occur during late December and January, and the decrease in marketings in the late winter and early spring may be less than usual.

It is now expected that production of feed grains this year will be equal to or above average, and will be much larger than that of last year. The supply of feed grains per head of livestock in the 1937-38 feeding season probably will be largest in several years. Prices of corn in the important hog-producing States will be much lower in 1937-38 than in 1936-37, and the hog-corn price ratio in 1937-38 will be favorable for hog production. Under such conditions it is probable that the 1938 spring pig crop will be materially larger than that of this year. A corn crop of about average size in 1938 would further stimulate hog production. A succession of average or near-average corn crops in the next few years probably would result in a marked upswing in hog production and slaughter from the present low levels.

Supplies of hogs and hog products, specified periods

| | | | | | Oct. - Sept. | | Oct. - June | |
|-----------------------------|---------|----------|-------|-------|--------------|--------|-------------|--------|
| Item | Unit | Average: | | | Average: | | Average: | |
| | | June | May | June | 1928-29 | 1934- | 1935- | 1935- |
| | | 1936 | 1937 | 1937 | to | 35 | 36 | 36 |
| | | | | | 1932-33 | | | 37 |
| Inspected | thou- | | | | | | | |
| slaughter <u>1/</u> | sands | 2,739 | 2,099 | 2,110 | 46,363 | 30,680 | 31,022 | 23,673 |
| Live weight: | | | | | | | | |
| Average | pound | 242 | 221 | 236 | 231 | 220 | 232 | 230 |
| Total..... | mil.lb. | 663 | 463 | 498 | 10,723 | 6,742 | 7,191 | 5,447 |
| Dressed weight: | | | | | | | | |
| Average | pound | 183 | 166 | 175 | 175 | 164 | 175 | 174 |
| Total..... | mil.lb. | 499 | 346 | 369 | 8,069 | 5,012 | 5,402 | 4,105 |
| Yield of lard per : | | | | | | | | |
| 100 pounds live : | | | | | | | | |
| weight of hogs.... | pound | 13.2 | 11.0 | 10.5 | 15.2 | 11.6 | 12.1 | 12.2 |
| roduction of lard: | mil.lb. | 87 | 51 | 52 | 1,630 | 790 | 870 | 663 |
| Apparent | | | | | | | | |
| consumption: | | | | | | | | |
| Pork, including : | | | | | | | | |
| lard | mil.lb. | 483 | 440 | 454 | 7,171 | 5,102 | 5,124 | 3,778 |
| Lard..... | " " | 69 | 52 | 53 | 961 | 730 | 712 | 522 |
| Exports <u>2/</u> : | | | | | | | | |
| Pork..... | " " | 8 | 6 | 5 | 211 | 104 | 69 | 50 |
| Lard | " " | 11 | 14 | 8 | 657 | 142 | 101 | 80 |
| Imports of pork <u>2/</u> : | " " | 4 | 6 | 8 | 6 | 7 | 32 | 22 |
| Proportion of sows: | | | | | | | | |
| in inspected : | | | | | | | | |
| slaughter <u>3/</u> | percent | 53.3 | 51.5 | 56.4 | 51.2 | 51.3 | 52.0 | 48.4 |
| | | | | | | | | |
| | | | | | | | | |

1/ Bureau of Animal Industry.2/ United States Department of Commerce. Pork includes bacon, hams and shoulders and fresh, canned and pickled pork. Lard includes neutral lard.3/ Includes gilts.

Prices of hogs and hog products, specified periods

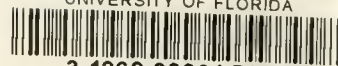
| Item | Unit | | | | Oct. - Sept. | | Oct. - July | | |
|-----------------------|------------|-------|-------|-------|--------------|--------|-------------|--------|-------|
| | | | | | Average: | | | | |
| | | July | June | July | 1928-29: | 1934-: | 1935-: | 1935-: | 1936- |
| | | 1936 | 1937 | 1937 | to | 35 | 36 | 36 | 37 |
| | | | | | 1932-33: | | | | |
| | dolls. | | | | | | | | |
| Average price: | per 100 | | | | | | | | |
| Seven markets .. | lb. | 9.30 | 10.84 | 11.37 | 1/ | 8.18 | 9.64 | 9.61 | 10.07 |
| Chicago | " " | 9.76 | 11.04 | 11.57 | 6.99 | 8.42 | 9.90 | 9.89 | 10.27 |
| U. S. average price: | | | | | | | | | |
| received by farmers: | " " | 9.14 | 9.97 | 10.70 | 6.48 | 7.54 | 9.15 | 9.03 | 9.39 |
| Prices of hog | | | | | | | | | |
| products, Chicago: | | | | | | | | | |
| Loins, 8-10 lb. ... | " " | 21.15 | 24.40 | 28.66 | 17.07 | 20.08 | 21.21 | 20.73 | 21.19 |
| Hams, smoked reg. | | | | | | | | | |
| No. 1, 10-12 lb. | " " | 26.98 | 25.42 | 26.78 | 20.31 | 21.62 | 26.58 | 26.64 | 24.00 |
| Bacon, smoked, No. 1: | | | | | | | | | |
| dry cure, 6-8 lb. | " " | 30.17 | 28.45 | 29.91 | 23.71 | 28.24 | 30.86 | 31.19 | 27.64 |
| Lard, refined, | | | | | | | | | |
| H.W. tubs | " " | 12.10 | 13.25 | 13.62 | 9.68 | 14.29 | 12.65 | 12.65 | 13.15 |
| Composite wholesale | | | | | | | | | |
| price of hog | | | | | | | | | |
| products, New York... | " " | 21.35 | 21.53 | 22.78 | 17.36 | 20.49 | 21.93 | 21.90 | 20.89 |
| Average price of | | | | | | | | | |
| No. 3 Yellow corn, | cents per: | | | | | | | | |
| Chicago | bush. | 86 | 122 | 118 | 62 | 86 | 74 | 66 | 117 |
| Hog-corn price | | | | | | | | | |
| ratio 2/: | | | | | | | | | |
| Chicago | bushel | 11.4 | 9.0 | 9.8 | 11.6 | 9.9 | 14.1 | 15.2 | 8.8 |
| North Central | | | | | | | | | |
| States | " | 12.0 | 9.1 | 9.5 | 12.9 | 10.0 | 15.3 | 17.0 | 9.0 |
| Proportion of packing | | | | | | | | | |
| sows in total | | | | | | | | | |
| packer and shipper | | | | | | | | | |
| purchases, seven | | | | | | | | | |
| markets 3/..... | percent | 38.0 | 25.0 | 40.0 | 1/ | 1/ | 16.0 | 12.0 | 11.0 |
| Average weight at | | | | | | | | | |
| seven markets | pound | 258 | 249 | 261 | 1/ | 229 | 241 | 240 | 227 |
| | | | | | | | | | |
| | | | | | | | | | |

1/ Not available.

2/ Number of bushel of corn equivalent in value to 100 pounds of live hogs.

3/ Monthly figures computed from weekly averages.

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